

PACP July Column
July 31, 2017

For more information, contact
Tricia Harris, Manager of Communications
717.720.5447

PA Chamber Pushes Back Against \$600 Million Tax Increase Revenue Package

It's a month into the new fiscal year and the state is still without a finalized budget deal. Though the House, Senate and administration agreed to a \$32 billion spending plan; they have yet to come to a consensus on how to pay for it. Yet, despite a lack of agreement on a revenue plan, Gov. Tom Wolf let the spending bill become law without his signature for the third consecutive year. The state's precarious financial situation took an unexpected turn last week when the Senate passed a revenue plan that included \$600 million in tax increases on Pennsylvania residents and businesses. And while the Wolf administration supports the plan, it was met with a less than lukewarm reception in the House of Representatives.

By a razor thin margin, the Senate narrowly passed H.B. 542 – the Tax Code bill – in a bipartisan 26-24 vote. The legislation includes: a new tax on residential and commercial use of natural gas; an increase to residential and commercial electric bills; a higher tax on phone bills; as well as a severance tax on the natural gas industry. In addition to the tax increases, the Senate's \$1.8 billion revenue package calls for borrowing \$1.3 billion against the state's Tobacco Settlement Fund; \$200 million in special fund transfers and \$200 million from a yet-to-be enacted gaming expansion bill in order to balance the 2017-18 budget.

While the PA Chamber understands that the Commonwealth is facing numerous economic challenges, we're disappointed that the Senate has voted in favor of a \$600 million tax increase that will hurt Pennsylvania's ability to compete and will increase job creators' operating costs for electricity, natural gas and communications services. At a time when the state's unemployment rate has consistently been above the national average, proposals like H.B. 542 – which will make Pennsylvania's business climate more burdensome – will only further weaken the state's economic growth.

Pennsylvania has few competitive business advantages – affordable, accessible energy - particularly natural gas - is one of them. However, this revenue package attacks that advantage by placing a tax on natural gas users and imposing an additional severance tax on the natural gas industry. Should this proposal be enacted, natural gas will be taxed, in essence, four times: prior to drilling and on an annual basis with the impact tax; during production with the severance tax; at consumption with the gross receipts; and finally, every year with business and income taxes on any company involved in drilling, moving or using natural gas. To say that these additional taxes won't impact this industry – which has been one of the few bright spots in Pennsylvania's down-turn economy – couldn't be further from the truth. These taxes will drive economic opportunity and jobs to other more business friendly states in the shale play.

Other tax proposals that are part of the package – such as the tax increases on electricity and phone use, as well as changes to the state's tax appeals process – will also increase costs for employers.

The state is in poor fiscal health because the economy isn't growing – and this tax package would be a major step backwards. These costs will reduce Pennsylvania businesses' ability to compete in the global economy and re-invest in the state, and will result in higher prices to consumers and end users of their products. As the budget negotiations continue, we are asking our members and our local chamber partners to join us in urging the House of Representatives to oppose this bill. You can join our

effort by clicking this [link](#) to send your state representative a letter asking them to vote no on higher energy taxes that will hurt the Commonwealth's economic growth and competitive edge.

Gene Barr
President and CEO
PA Chamber of Business and Industry

###

The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business association, with its statewide membership comprising businesses of all sizes and across all industry sectors. The PA Chamber is The Statewide Voice of Business™.